

Mayor Jerry Sanders and Council President Scott Peters Pension Reform Compromise for Future, Non-Public Safety Employees

Forwarded to the City Council by the Rules Committee on June 25, 2008

Benefits Associated with the Compromise Plan:

- Achieves significant cost savings:
 - Once fully implemented, the new retirement system will save \$22.5 million annually. Because the new system will go into effect July 1, 2009, the City will begin to accrue savings immediately as new employees replace retiring employees. Approximately 300-500 General employees leave City service every year.
 - Savings are achieved because the new plan significantly lowers the multipliers used to calculate retirement pay and eliminates the existing SP/SP program.
 - The taxpayers' contribution to the new plan would be reduced almost by half, from 15.92% of pay to 8.75% in the future.
- Shares risk with employees:
 - The plan also introduces a defined contribution component thereby lowering the risk to taxpayers.
 - Unlike the existing arrangement, contributions going forward would be in conformance with the City Charter by making them substantially equal.
- Reduces the costly benefits associated with the current retirement system:
 - Going forward, retirement pay would be based on an average of the last three out of five years of compensation – as opposed to the current highest one year of pay.
 - The compromise will also disincent costly early retirements; the compromise proposal eliminates retirement at all ages below 60 years of age.
 - The proposal also lowers the defined benefit cap from 90% to 80%.
- Plan is fair to taxpayers and employees:
 - After 30 years of service, a current City employee who retires at the age of 65 is able to receive 119% of their pay in retirement. The compromise proposal reduces that to 83.7%.

The City Council is expected to consider the plan in July following meet and confer with the affected labor unions.

City of San Diego

General Members - Applicable to Employees Hired After 7/1/09

	Current Design	Compromise Ballot Proposal
Age at Hire for Illustrative Member	35	35
Defined Benefit Multiplier		
Age 65	2.80%	2.60%
Age 62	2.65%	2.24%
Age 60	2.55%	2.00%
Age 55	2.50%	N/A
Defined Benefit Cap	90%	80%
Years in Final Average Compensation	1	3
Defined Benefit Member Rate	10.07%	7.50%
Defined Benefit Death and Disability Benefits	SDCERS	Revised
Defined Contribution City Rate	6.05%	1.25%
Defined Contribution Member Rate	6.05%	1.25%
Income Replacement Ratio		
Retire at 65		
Defined Benefit	84.0%	74.5%
Defined Contribution	35.0%	9.2%
Total	119.0%	83.7%
Retire at 62		
Defined Benefit	71.6%	57.8%
Defined Contribution	28.6%	7.2%
Total	100.2%	65.0%
Retire at 60		
Defined Benefit	63.8%	47.8%
Defined Contribution	25.0%	6.2%
Total	88.8%	54.0%
Retire at 55		
Defined Benefit	50.0%	N/A
Defined Contribution	17.0%	N/A
Total	67.0%	N/A
City Contribution Rates		
Defined Benefit	9.87%	7.50%
Defined Contribution	6.05%	1.25%
Total	15.92%	8.75%
Member Contribution Rates		
Defined Benefit	10.07%	7.50%
Defined Contribution	6.05%	1.25%
Total	16.12%	8.75%
Projected Annual Long-Term Savings (millions)		
Defined Benefit City Savings	N/A	8.2
Defined Contribution City Savings	N/A	15.4
Pre-65 LTD Program	N/A	(1.1)
Total Annual City Savings	N/A	22.5